

**WESTERN DUBUQUE COUNTY  
COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**OFFICIAL ISSUING REPORT  
DAVID A. WEGMANN, BUSINESS MANAGER  
BUSINESS OFFICE**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**JUNE 30, 2010**

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**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**JUNE 30, 2010**

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## O F F I C I A L S

Name -----	Title -----	Term Expires -----
<b>Board of Education (Before September 2009 Election)</b>		
Bob McCabe	President	2009
Barb Weber	Vice President	2011
Jeanne Coppola	Board Member	2011
Mark Knuth	Board Member	2009
Gary McAndrew	Board Member	2011
<b>Board of Education (After September 2009 Election)</b>		
Bob McCabe	President	2013
Jeanne Coppola	Vice President	2011
Mark Knuth	Board Member	2013
Gary McAndrew	Board Member	2011
Barb Weber	Board Member	2011
<b>School Officials</b>		
Jeff Corkery	Superintendent	2010
David Wegmann	Board Secretary/Business Manager	2010
Mark Frasher	District Treasurer	2010

# **O'CONNOR, BROOKS & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

W.H. LEGLAR, CPA  
S.J. DOMEYER, CPA  
M.A. KUEPERS, CPA  
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M.P. RUGGEBERG, CPA  
P.C. MCCARTHY, CPA  
E.A. SCHILLING, CPA

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of the  
Western Dubuque County Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Western Dubuque County Community School District as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the District's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include financial data for its component units. The District has not issued such reporting entity financial statements. The assets, liabilities, net assets, revenues, and expenses of the legally separate component units are unknown, thus the amount by which this departure would affect the financial statements taken as a whole is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with the accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the Western Dubuque Community School District, as of June 30, 2010, or the changes in financial position thereof for the year then ended.

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Furthermore, in our opinion, the respective financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Western Dubuque County Community School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress for the Retiree Health Plan are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Western Dubuque County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2009 (none of which are presented herein) and expressed unqualified opinions on those financial statements with the exception of the six years ended June 30, 2009. For the six years ended June 30, 2009, we expressed an unqualified opinion on the financial statements of the various opinion units of the primary government and we expressed an adverse opinion on the aggregate discretely presented component units due to the omission of the financial data for the District's legally separate component units. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'CONNOR, BROOKS & CO., P.C.

*O'Connor, Brooks + Co., P.C.*

Dubuque, Iowa  
January 24, 2011

## **REQUIRED SUPPLEMENTARY INFORMATION**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Western Dubuque County Community School District provides this Management's Discussion and Analysis as a part of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

This Management Discussion and Analysis contains the following main areas beginning on the pages shown.

<u>Area</u>	<u>Page #</u>
Financial Notes	5
Overview of the Financial Statements	5
Financial Analysis of the District as a Whole	9
Changes in Net Assets	10
Financial Analysis of the District's Funds	13
Budgetary Highlights	14
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## FINANCIAL NOTES

- The 2009-10 fiscal year was the third year of the District's renewed five-year Instructional Support Program (ISP). The new five-year program commencing July 1, 2007 and ending on June 30, 2012 was authorized and approved by the School Board on December 11, 2006.

### Receipts:

Property Tax	\$ 366,945
Income Surtax	963,148
State Aid	62,944
	<u>\$1,393,037</u>

### Expenses:

Wages/Benefits	\$ 573,039
Private Schools	163,543
School Buses	340,387
School Stream	13,250
Computers/Software	242,058
	<u>\$1,332,277</u>

- The General Fund June 30, 2010 unreserved fund balance decreased slightly from \$1,360,269 to \$1,301,671 resulting in a Financial Solvency Ratio of 4.92%.

2002-2003	3.500 %
2003-2004	0.400 %
2004-2005	0.100 %
2005-2006	1.630 %
2006-2007	2.200 %
2007-2008	0.069 %
2008-2009	5.360 %
2009-2010	4.920 %

The primary reason for the slight decrease in fund balance was the \$1,300,738 State Aid cut that the District incurred in fiscal 2010.

- The District also expended \$2,020,583 in Federal Stimulus Funds in the 2009-10 fiscal year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Western Dubuque Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the

District's operations in more detail than the government-wide statements by providing information about the most significant funds.

The remaining statements provide information about activities for which the District acts as a custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<p align="center"><b>Figure A-1</b>  <b>Major Features of the Government-Wide and Fund Financial Statements</b></p>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

1. ***Governmental funds:*** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional schedules explain the relationship or differences between the two statements.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. ***Proprietary funds:*** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's Enterprise Fund, one type of Proprietary Fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3. ***Fiduciary funds:*** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net assets** - Figures A-2 and A-3 below provide a summary of the District's revenues, expenses, and net assets for the year ended June 30, 2010 compared to 2009 for the governmental and business-type activities.

**Figure A-2**  
**Condensed Statement of Net Assets**

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	2009	2010	2009	2010	2009	2010	
Current and other assets	26,223,006	36,189,859	439,810	545,623	26,662,816	36,735,482	37.78%
Capital assets	26,937,437	32,522,856	172,110	192,060	27,109,547	32,714,916	20.68%
Total assets	53,160,443	68,712,715	611,920	737,683	53,772,363	69,450,398	29.16%
Long-term obligations	10,722,507	25,268,149	50,969	91,863	10,773,476	25,360,012	135.39%
Other liabilities	16,263,412	16,907,633	13,278	77,591	16,276,690	16,985,224	4.35%
Total liabilities	26,985,919	42,175,782	64,247	169,454	27,050,166	42,345,236	56.54%
Net assets:							
Invested in capital assets							
net of related debt	18,442,437	22,471,404	172,110	192,060	18,614,547	22,663,464	21.75%
Restricted	7,803,445	17,140,881	-	-	7,803,445	17,140,881	119.66%
Unrestricted	(71,358)	(13,075,352)	375,563	376,169	304,205	(12,699,183)	-4274.55%
Total net assets	26,174,524	26,536,933	547,673	568,229	26,722,197	27,105,162	1.43%

Net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, parking lots and so on.) Consequently, *unrestricted* net assets of the District's governmental activities showed a \$13,075,352 deficit at the end of this year. This deficit does not mean that Western Dubuque Schools does not have resources available to pay its bills next year. Rather, it is the result of having *long-term* commitments that are greater than currently available resources.

**Figure A-3**  
**Changes in Net Assets from Operating Results**

	Governmental Activities			Business Type Activities			Total School District		
	2008-09	2009-10	Change	2008-09	2009-10	Change	2008-09	2009-10	Change
<b>Revenues:</b>									
<i>Program Revenues:</i>									
Charges for service and sales	2,089,918	2,118,784	28,866	1,138,234	994,386	(143,848)	3,228,152	3,113,170	(114,982)
Operating grants and contributions	4,918,428	7,290,807	2,372,379	536,874	615,479	78,605	5,455,302	7,906,286	2,450,984
Capital grants and contributions	-	-	-	-	-	-	-	-	-
<i>General Revenues:</i>									
Property tax	11,236,794	11,736,999	500,205	-	-	-	11,236,794	11,736,999	500,205
Instructional support surtax	1,334,134	1,364,149	30,015	-	-	-	1,334,134	1,364,149	30,015
Statewide sales and services tax	2,503,911	2,619,774	115,863	-	-	-	2,503,911	2,619,774	115,863
Unrestricted state grants	9,681,270	7,745,699	(1,935,571)	-	-	-	9,681,270	7,745,699	(1,935,571)
Unrestricted investment earnings	347,450	162,490	(184,960)	8,033	4,980	(3,053)	355,483	167,470	(188,013)
Other	173,923	208,866	34,943	-	-	-	173,923	208,866	34,943
Transfers	(4,926)	-	4,926	4,926	-	(4,926)	-	-	-
Total Revenues	32,280,902	33,247,568	966,666	1,688,067	1,614,845	(73,222)	33,968,969	34,862,413	893,444
<b>Expenditures:</b>									
Instruction	18,145,410	20,287,109	2,141,699	148,846	-	(148,846)	18,294,256	20,287,109	1,992,853
Support services	8,222,344	8,065,349	(156,995)	-	-	-	8,222,344	8,065,349	(156,995)
Non-instructional programs	38,712	69,757	31,045	1,514,048	1,594,289	80,241	1,552,760	1,664,046	111,286
Other expenses	2,765,650	4,462,944	1,697,294	-	-	-	2,765,650	4,462,944	1,697,294
Total Expenses	29,172,116	32,885,159	3,713,043	1,662,894	1,594,289	(68,605)	30,835,010	34,479,448	3,644,438
Change in Net Assets	3,108,786	362,409	(2,746,377)	25,173	20,556	(4,617)	3,133,959	382,965	(2,750,994)

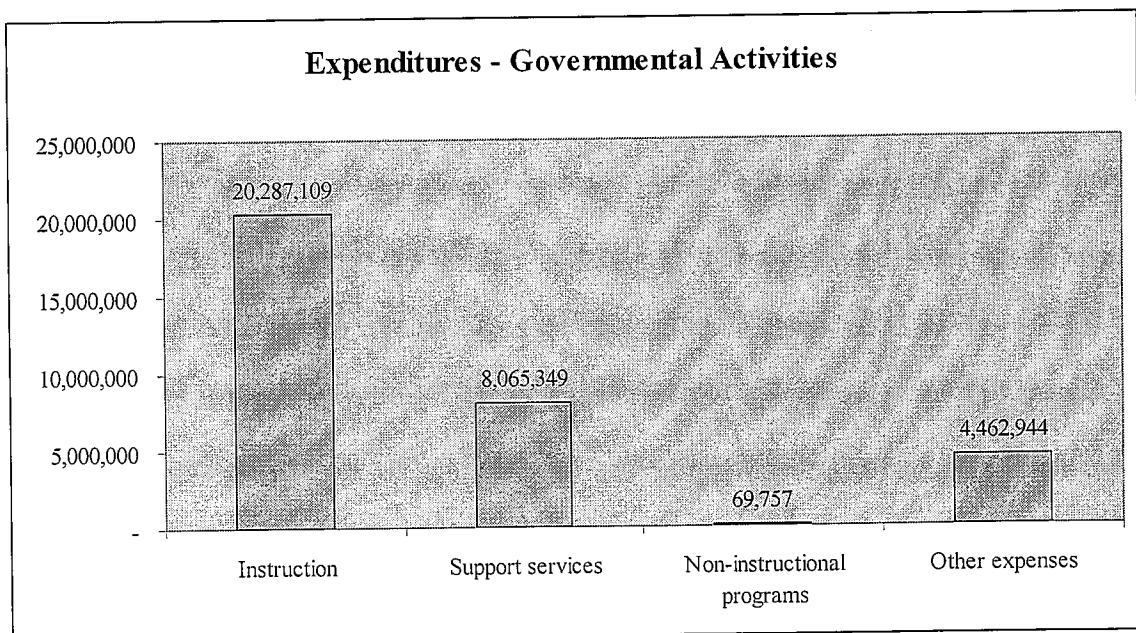
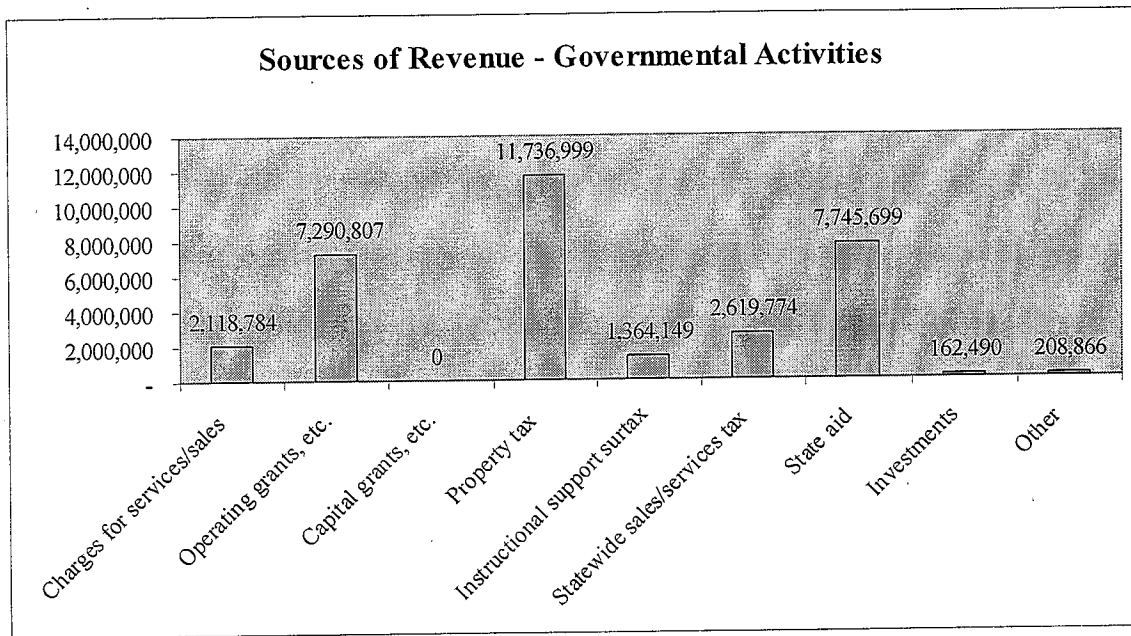
(COMMENTS ON NEXT PAGE)

## Governmental Activities

Revenues for governmental activities were \$33,247,568 while total expenses amounted to \$32,885,159.

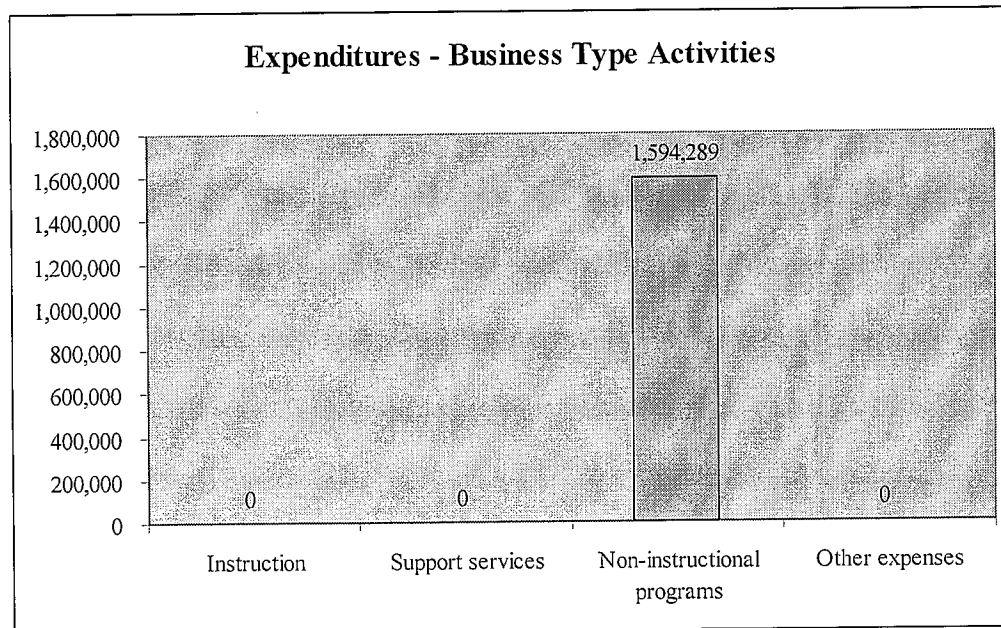
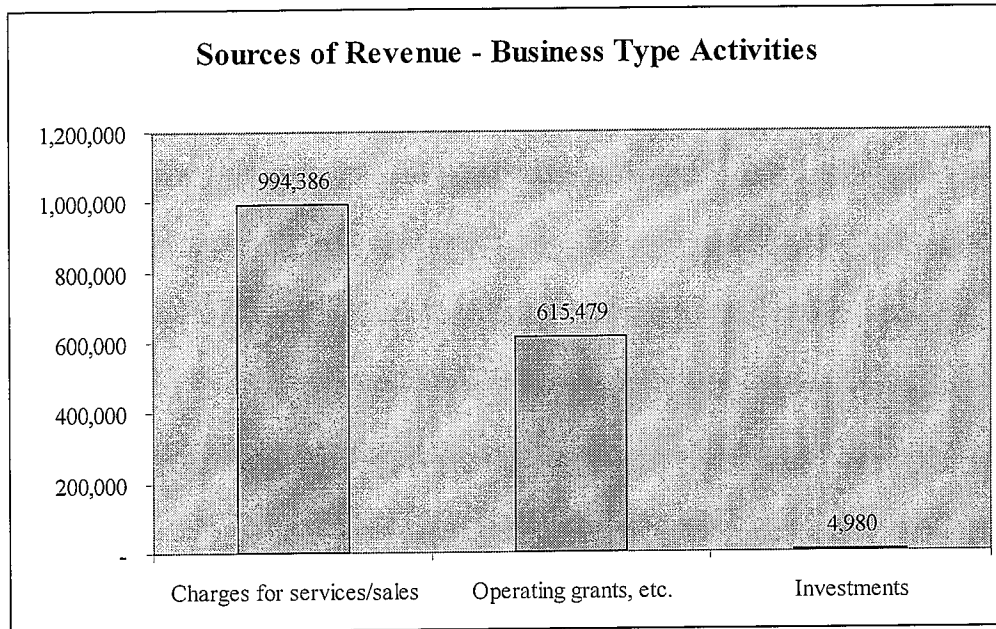
The District collects revenues from a number of sources other than state aid and property tax to fund its operations. Other significant sources include local grants, student fees, tuition, Activity Fund receipts, State grants, and Federal grants.

**Bar Graph for Figure A-3 – Changes in Net Assets from Operating Results**



## Business-Type Activities

Revenues of the District's business-type activities (School Nutrition Fund) were \$1,614,845 and expenses were \$1,594,289. Revenues of these activities were comprised of a la carte sales, charges for meals, tuition, interest, and federal and state reimbursements.





## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Western Dubuque Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Fund Highlights

- Following are ending fund balances of the various governmental funds and a discussion concerning the change in balances.

Fund Name	2009 Balance	2010 Balance	Change
General	\$ 1,482,283	\$ 1,438,744	\$ (43,539)
Activity	574,790	579,402	4,612
Management	1,385,708	1,529,673	143,965
Physical Plant & Equipment	444,706	506,757	62,051
Capital Projects	5,093,639	13,811,950	8,718,311
Debt Service	182,588	572,842	390,254
	<u>\$ 9,163,714</u>	<u>\$ 18,439,368</u>	<u>\$ 9,275,654</u>

- General Fund: The \$1,438,744 balance is on the low end for the size of the District's total General Fund expenditures. The District's goal is to have an undesignated fund balance equal to 10% of its annual General Fund Expenditures. For 2009-10, this would have been equal to \$2,777,516. The District has improved the fund balance by levying for cash reserves the past several years; but, state aid cuts have significantly limited any growth. The cash reserve levy in 2009-10 was \$1,439,795 and state aid cuts were in excess of \$1,300,000.
- Activity Fund: Over 90 separate fund accounts for the various activity organizations are accounted for in the Activity Fund. Each account group has its own revenue and expense chart of accounts. The fund balance for this fund is adequate.
- Management Fund: This fund is used to pay for early retirement benefits and property/liability insurance. The increased fund balance is needed to pay insurance obligations coming due in early 2010-11 prior to taxes coming in and to provide needed reserves to offset retirement plan liabilities that will be shown on District financials beginning in fiscal 2009-10 per Governmental Accounting Standards Board (GASB) rules. Over time the District will need to consider increasing the fund balance in this fund to reflect future costs of its early retirement plan for eligible employees. Bi-annual actuarial reporting data on the District's early retirement plan is required by the Governmental Accounting Standards Board and should be used as a guide to ensure future funding of the plan.
- Physical Plant and Equipment Levy Fund: The \$62,051 increase is needed in the P.P.E.L Fund to help pay for furniture and equipment costs that are not included in the District's current construction projects. Other uses of the fund are as follows:
  1. Instructional equipment.
  2. School vehicles.
  3. Buildings and Grounds projects.

The District needs to consider a voted PPEL to ensure its future ability to adequately maintain and equip its infrastructure. A voted PPEL would bring in an estimated \$1.2 million in annual revenues to help with the above listed purposes. The current School Board approved program provides approximately \$300,000 in annual revenues.

- Capital Projects Fund: Revenues in this fund come from the one-cent sales tax for school infrastructure from the five counties in the District. In fiscal 2009-10 the District received \$2,619,774 in sales tax receipts from those five counties. In June of 2003 (fiscal year 2003) the District issued \$11,000,000 of revenue bonds for construction projects at Cascade High School, Dyersville Elementary, Peosta Elementary, Drexler Elementary and Western Dubuque High School.

In 2009-10 the District refunded the unpaid balance of \$2,940,000 on the \$11 million, 2003 series to obtain a lower net interest rate of 2.0233297% versus the 3.746287% on the original issue. The refunded series will be paid off on June 1, 2013. The District also issued \$16.5 million in zero interest Qualified School Construction Bonds (Q-Bonds). Proceeds from these issuances will be used for construction projects at Drexler Middle School (\$8.5 million) and Dyersville Elementary (\$8.0 million). The 17 year \$8.5 million series will be paid off on June 1, 2026. The 10 year \$8.0 million series will be paid off on June 1, 2020.

Projected 2010-11 bond payments for the above issuances will equal \$1,440,127 and 2010-11 sales tax receipts are projected to be \$2,678,446.

The District is required to have annual revenues equal to 125% of its annual debt for sales tax issuance each year that a series is outstanding. The projected coverage factor for 2010-11 is 186%.

- Debt Service Fund: The fund balance is adequate to meet the cash flow needs of this fund which is used to pay principal and interest on the District's outstanding debt.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$547,673 on June 30, 2009 to \$568,229 on June 30, 2010. Increased federal revenues of \$79,947 were a significant reason for the increase in total net assets.

### **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and a hearing for all funds, except its private-purpose trust funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Over the course of the year, the District amended its annual operating budget to reflect additional revenue and expenditures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

The District amended the Instructional, Total Support Services, and Non-Instructional function areas of the 2009-2010 budget to reflect expected increases in revenues and corresponding expenses.

Function	Original	Amended	Actual
Instruction	\$ 19,235,369	\$ 20,515,682	\$ 20,017,471
Support Services	9,049,427	9,049,427	8,281,431
Non-instructional	1,475,729	1,541,319	1,630,923
Other	\$ 11,850,468	\$ 20,557,807	\$ 12,182,909

The amendments and over expenditures were funded from existing cash balances and did not result in any use or additional levy of state or local taxes.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The following table shows the District's capital assets, net of accumulated depreciation.

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	2009	2010	2009	2010	2009	2010	
Land	240,116	754,110	-	-	240,116	754,110	513,994
Construction in progress	134,024	4,397,533	-	-	134,024	4,397,533	4,263,509
Buildings	23,821,145	24,374,578	-	-	23,821,145	24,374,578	553,433
Improvements	100,116	34,427	-	-	100,116	34,427	(65,689)
Furnishings & Equipment	2,642,036	2,962,208	172,110	192,060	2,814,146	3,154,268	340,122
Total Capital Assets	26,937,437	32,522,856	172,110	192,060	27,109,547	32,714,916	5,605,369

The District's current investment in capital assets of \$32,714,916 represents an increase of \$5,605,369. Current construction projects that are in progress are the primary reason for the increase.

### Long-Term Debt

On June 30, 2010 the District had total long-term debt obligations of \$24,299,160. The following summary schedule shows totals in the different classes of the long-term debt obligations.

	6/30/2010	6/30/2009
General Obligation Bonds	4,695,000	4,750,000
Revenue Bonds	2,940,000	4,845,000
Qualified School Construction Bonds	16,500,000	-
Early Retirement	164,160	502,271
	<u>24,299,160</u>	<u>10,097,271</u>
Name	Amount	Retirement Date
GO Bonds, Series 2010	\$ 4,250,000	6/1/2021
GO Bonds, Series 2002	445,000	6/1/2012
Refunded Sales Tax Bonds	2,940,000	6/1/2013
QSC Bonds, Series 2009	8,500,000	6/1/2026
QSC Bonds, Series 2010A	8,000,000	6/1/2020
Early Retirement	164,160	7/1/2010
	<u>\$ 24,299,160</u>	

## FACTORS BEARING ON THE DISTRICT'S FUTURE

Following are several factors that could have a significant effect on the District's General Fund financial condition.

- District Enrollment: The District's certified resident count increased in fiscal 2009-10 by 9.7 students.

September 2009	2,799.4
September 2008	2,789.7
September 2007	2,775.8
September 2006	2,741.6
September 2005	2,771.3

The increase, though slight, is significant in that it has a direct bearing on the District's general fund revenues. Continued growth in the eastern part of the District should result in steady or increased enrollment in future years. The District's enrollment multiplied by the state set cost-per-pupil is the primary revenue source for the District's General Fund.

The District had 117 open enrolled-in students and 68 open enrolled-out students in fiscal 2010. Each student generates \$5,823 in tuition revenue or expense. A significant change in the enrollment of these two groups would have a significant impact on revenues and expenses. Open enrolled-in has increased by 19 students over the last five years. Open enrolled-out has increased by 8 students over the last five years.

- Instructional Support Program: The District started a new five-year Instructional Support Program in 2007-08. The new five-year program commencing July 1, 2007 and ending on June 30, 2012 was authorized and approved by the School Board on December 11, 2006. Approximately \$1.3 million per year in property taxes, income surtax, and state aid revenues will result from the program. Expenditures for the program in 2009-10 were as follows.

<u>Expenses:</u>	
Wages/Benefits	\$ 573,039
Private Schools	163,543
School Buses	340,387
School Stream	13,250
Computers/Software	242,058
	<u>\$1,332,277</u>

The continuation of this program is vital if the District is to continue with expenses in the above areas.

- Transportation: Transportation expenses continue to be a significant cost of education. Western Dubuque Schools is the largest geographic school district in Iowa. The Iowa school funding formula does not provide for any additional funds for public school transportation costs. The District's reimbursement for transporting non-public students was \$193,597 less than expected in 2009-10. Less than full funding for the cost of the non-public program does have a significant impact on the District's allocation of resources for its educational programs.

- Operation of two high schools: The costs of operating two high school programs in a District the size of Western Dubuque is significant. Approximately 39% of the District's enrollment is in grades 9-12. The state average for the same grade range is 30%. The Iowa funding formula does not provide additional funding for high school students versus elementary students. As a result, the Western Dubuque District already incurs significant costs for operating two high schools. A significant change in its elementary to secondary school enrollment ratio would affect the ability to fund existing high school programs and activities.
- Wages and benefits are by far the most significant expenditure of the District's operation costs. Salary and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact on the District's General Fund Budget.
- Financial Solvency Ratio: A measure of a school district's financial health in its General Fund can be determined from its Financial Solvency Ratio. The ratio is used by lending institutions to determine a district's ability to repay borrowings. Currently the Iowa Schools Cash Anticipation Program sponsored by the Iowa Association of School Boards uses the ratio when evaluating credit ratings of school districts. The ratio is determined as follows:

$$\frac{\text{Unreserved Fund Balance}}{\div \text{Total Receipts} - \text{AEA Support}}$$

Following is the Financial Solvency Ratio for the Western Dubuque District for the past five years.

2005-2006	1.63%
2006-2007	2.20%
2007-2008	0.07%
2008-2009	5.36%
2009-2010	4.92%

Grading:

> 5%	Good
0% to 5%	Acceptable
-3% to 0%	Concern
< -3%	Serious Concern

The major reason for the decrease in the ratio in 2009-10 was due to over \$1.3 million in state aid cuts. Despite the state cut, the District still managed to basically maintain its solvency due in a large part to School Board Approved Cash Reserve Levies over the past two years.

To maintain a targeted solvency ratio of 5%, the District needs to levy approximately \$1.1 million each year. Thereafter, the District needs to levy for on-time enrollment increases and state aid cuts or reduce expenditures to compensate for the cash shortfalls related to the two factors. The Adopted Budget for the 2009-10 fiscal year included a cash reserve levy of \$1,439,795. The levy approved by the School Board has had a significant impact on improving the District's Financial Solvency Ratio.

- State Aid: The District incurred \$205,113 in state aid shortfalls in the 2008-09 fiscal year due to the 1.5% across-the-board cut in state aid funding and over \$1.3 million in 2009-10. The District's budget authority was not affected by the cut; but, the funding shortfall did have an impact on year-end cash and fund balances in the General Fund. State aid cuts need to be funded via a cash reserve levy if the District wants to maintain reasonable balances in its cash and fund balances. If the District chooses not to fund state aid cuts, then appropriate reductions in expenses need to be made to maintain adequate cash and fund balances in the General Fund.

- Federal Recovery Funds: In 2009-10, the District expended \$2,020,583 in Federal Recovery Funds. These funds were very significant in the District's ability to maintain operations without making cuts to services. The program will continue into the 2010-11 fiscal year in a similar fashion. After the program ends the District will need to reassess the continuation of the expenditures that were made with these funds. If state revenues do not replace these federal funds then the District will need to reduce expenditures.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact David Wegmann, District Secretary and Business Manager, Western Dubuque County Community School District, 405 3<sup>rd</sup> Avenue NE, Farley, Iowa 52046.

## **BASIC FINANCIAL STATEMENTS**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF NET ASSETS  
JUNE 30, 2010**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>	-----	-----	-----
Cash and cash equivalents	\$ 20,351,333	\$ 519,400	\$ 20,870,733
Receivables:			
Property tax:			
Delinquent	116,506	---	116,506
Succeeding year	12,859,826	---	12,859,826
Income surtax	947,878	---	947,878
Accounts	25,669	---	25,669
Due from other governments	1,049,086	61,920	1,111,006
Due from other funds	90,774	(90,774)	---
Prepaid expenses	66,657	234	66,891
Deferred debt expense	256,758	---	256,758
Inventories	---	54,843	54,843
Capital assets, net of accumulated depreciation	32,522,856	192,060	32,714,916
Restricted assets:			
Cash held in escrow	425,372	---	425,372
Total Assets	\$ 68,712,715	\$ 737,683	\$ 69,450,398
<b>Liabilities</b>	-----	-----	-----
Accounts payable	\$ 1,457,648	\$ 48	\$ 1,457,696
Salaries and benefits payable	2,150,531	77,543	2,228,074
Accrued interest payable	40,896	---	40,896
Deferred revenue:			
Succeeding year property tax	12,859,826	---	12,859,826
Other	398,732	---	398,732
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	320,000	---	320,000
Revenue bonds	960,000	---	960,000
Early retirement	164,160	---	164,160
Portion due after one year:			
General obligation bonds	4,375,000	---	4,375,000
Deferred amount on refunding	(204,923)	---	(204,923)
Revenue bonds	1,980,000	---	1,980,000
Deferred amount on refunding	(42,554)	---	(42,554)
Qualified School Construction Bonds	16,074,628	---	16,074,628
Payable from restricted assets:			
Qualified School Construction Bonds	425,372	---	425,372
Other post employment benefits	1,267,193	91,863	1,359,056
Unamortized bond discount	(50,727)	---	(50,727)
Total Liabilities	\$ 42,175,782	\$ 169,454	\$ 42,345,236

See notes to financial statements.



**EXHIBIT "A" (Continued)**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF NET ASSETS  
JUNE 30, 2010**

	Governmental Activities	Business Type Activities	Total
	-----	-----	-----
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 22,471,404	\$ 192,060	\$ 22,663,464
Restricted for:			
Categorical funding	140,257	---	140,257
Management levy	1,529,673	---	1,529,673
Physical plant and equipment levy	506,757	---	506,757
Other special revenue purposes	579,402	---	579,402
School infrastructure	13,433,335	---	13,433,335
Debt service	951,457	---	951,457
Unrestricted (deficit)	(13,075,352)	376,169	(12,699,183)
	-----	-----	-----
Total Net Assets	\$ 26,536,933	\$ 568,229	\$ 27,105,162
	=====	=====	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs</b>						
<b>Governmental Activities:</b>						
Instruction:						
Regular	\$ 11,354,251	\$ 829,909	\$ 4,125,458	\$ (6,398,884)	\$ ---	\$ (6,398,884)
Special	3,904,354	227,731	1,265,651	(2,410,972)	---	(2,410,972)
Other	5,028,504	912,138	30,714	(4,085,652)	---	(4,085,652)
Total Instruction	\$ 20,287,109	\$ 1,969,778	\$ 5,421,823	\$ (12,895,508)	\$ ---	\$ (12,895,508)
<b>Support Services:</b>						
Student	\$ 982,791	\$ ---	\$ ---	\$ (982,791)	\$ ---	\$ (982,791)
Instructional staff	171,632	---	18,181	(153,451)	---	(153,451)
Administration	2,763,267	---	---	(2,763,267)	---	(2,763,267)
Operation and maintenance of plant	1,761,499	44,530	3,184	(1,713,785)	---	(1,713,785)
Transportation	2,386,160	104,476	551,050	(1,730,634)	---	(1,730,634)
Total Support Services	\$ 8,065,349	\$ 149,006	\$ 572,415	\$ (7,343,928)	\$ ---	\$ (7,343,928)
Non-instructional Programs	\$ 69,757	\$ ---	\$ ---	\$ (69,757)	\$ ---	\$ (69,757)

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Expenses						
<b>Functions/Programs (Continued)</b>						
Governmental Activities: (Continued)						
Other Expenditures:						
Facilities acquisition	\$ 1,906,521	\$ ---	\$ ---	\$ (1,906,521)	\$ ---	\$ (1,906,521)
Long-term debt interest	443,704	---	---	(443,704)	---	(443,704)
AEA flowthrough	1,296,569	---	---	---	---	---
Depreciation (unallocated)*	816,150	---	---	(816,150)	---	(816,150)
Total Other Expenditures	\$ 4,462,944	\$ 1,296,569	\$ ---	\$ (3,166,375)	\$ ---	\$ (3,166,375)
Total Governmental Activities	\$ 32,885,159	\$ 7,290,807	\$ ---	\$ (23,475,568)	\$ ---	\$ (23,475,568)
<b>Business Type Activities:</b>						
Non-instructional programs:						
Food service operations	\$ 1,594,289	\$ 994,386	\$ 615,479	\$ ---	\$ 15,576	\$ 15,576
Total	\$ 34,479,448	\$ 3,113,170	\$ 7,906,286	\$ (23,475,568)	\$ 15,576	\$ (23,459,992)

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>General Revenues:</b>							
Property tax levied for:					\$ 10,888,887	\$ ---	\$ 10,888,887
General purposes					521,990	---	521,990
Debt service					326,122	---	326,122
Capital outlay					1,364,149	---	1,364,149
Instructional support surtax					2,619,774	---	2,619,774
Statewide sales, services, and use tax					7,745,699	---	7,745,699
Unrestricted state grants					162,490	4,980	167,470
Unrestricted investment earnings					208,866	---	208,866
Other					---	---	---
Total General Revenues					\$ 23,837,977	\$ 4,980	\$ 23,842,957
Change in Net Assets					\$ 362,409	\$ 20,556	\$ 382,965
Net Assets Beginning of Year					26,174,524	547,673	26,722,197
Net Assets End of Year					\$ 26,536,933	\$ 568,229	\$ 27,105,162

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	General	Capital Projects	Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments	\$ 3,074,894	\$14,730,645	\$ 2,545,794	\$20,351,333
Receivables:				
Property tax:				
Delinquent	100,006	---	16,500	116,506
Succeeding year	11,186,419	---	1,673,407	12,859,826
Income surtax	947,878	---	---	947,878
Accounts	23,749	---	1,920	25,669
Due from other funds	90,774	---	2,010	92,784
Due from other governments	835,755	213,331	---	1,049,086
Prepaid expenses	100,911	---	286,628	387,539
Restricted assets:				
Cash held in escrow	---	---	425,372	425,372
<b>Total Assets</b>	<b>\$16,360,386</b>	<b>\$14,943,976</b>	<b>\$ 4,951,631</b>	<b>\$ 36,255,993</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 236,072	\$ 1,132,026	\$ 89,550	\$ 1,457,648
Salaries and benefits payable	2,150,531	---	---	2,150,531
Due to other funds	2,010	---	---	2,010
Deferred revenue:				
Succeeding year property tax	11,186,419	---	1,673,407	12,859,826
Income surtax	947,878	---	---	947,878
Other	398,732	---	---	398,732
<b>Total Liabilities</b>	<b>\$14,921,642</b>	<b>\$ 1,132,026</b>	<b>\$ 1,762,957</b>	<b>\$ 17,816,625</b>
Fund Balances:				
Reserved for:				
Categorical funding	\$ 137,073	\$ ---	\$ 3,184	\$ 140,257
Debt service	---	378,615	572,842	951,457
Unreserved	1,301,671	13,433,335	2,612,648	17,347,654
<b>Total Fund Balances</b>	<b>\$ 1,438,744</b>	<b>\$13,811,950</b>	<b>\$ 3,188,674</b>	<b>\$ 18,439,368</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$16,360,386</b>	<b>\$14,943,976</b>	<b>\$ 4,951,631</b>	<b>\$ 36,255,993</b>

See notes to financial statements.

EXHIBIT "D"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010

<b>Total Fund Balances of Governmental Funds</b>	<b>\$ 18,439,368</b>
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	32,522,856
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	947,878
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(40,896)
Long-term liabilities, including bonds and note payable and other post-employment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. Other related amounts include deferred debt expense and unamortized bond discount.	(25,332,273)
<b>Net Assets of Governmental Activities</b>	<b>\$ 26,536,933</b>

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010**

	General	Capital Projects	Nonmajor	Total
	-----	-----	-----	-----
<b>Revenues</b>				
Local sources:				
Local tax	\$11,348,767	\$ 2,619,774	\$ 1,718,325	\$ 15,686,866
Tuition	850,519	---	---	850,519
Other	514,894	88,795	1,001,267	1,604,956
Intermediate sources	7,872	---	---	7,872
State sources	12,365,529	---	4,147	12,369,676
Federal sources	2,619,203	---	---	2,619,203
	-----	-----	-----	-----
Total Revenues	\$27,706,784	\$ 2,708,569	\$ 2,723,739	\$ 33,139,092
	-----	-----	-----	-----
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	\$10,918,809	\$ ---	\$ 330,793	\$ 11,249,602
Special	3,714,666	---	56,159	3,770,825
Other	4,019,657	---	977,387	4,997,044
	-----	-----	-----	-----
Total Instruction	\$18,653,132	\$ ---	\$ 1,364,339	\$ 20,017,471
	-----	-----	-----	-----
Support Services:				
Student	\$ 971,889	\$ ---	\$ 17,943	\$ 989,832
Instructional staff	307,152	---	845	307,997
Administration	2,801,065	62,052	75,028	2,938,145
Operation and maintenance of plant	1,546,085	---	186,339	1,732,424
Transportation	2,194,204	---	118,829	2,313,033
	-----	-----	-----	-----
Total Support Services	\$ 7,820,395	\$ 62,052	\$ 398,984	\$ 8,281,431
	-----	-----	-----	-----
Non-instructional Programs	\$ ---	\$ ---	\$ 36,634	\$ 36,634
	-----	-----	-----	-----

**EXHIBIT "E" (Continued)**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010**

	General	Capital Projects	Nonmajor	Total
	-----	-----	-----	-----
<b>Expenditures (Continued)</b>				
Other Expenditures:				
Facilities acquisition	\$ ---	\$ 7,717,744	\$ 239,721	\$ 7,957,465
Long-term debt:				
Principal	---	---	2,210,000	2,210,000
Interest and fiscal charges	---	192,663	526,212	718,875
AEA flowthrough	1,296,569	---	---	1,296,569
	-----	-----	-----	-----
Total Other Expenditures	\$ 1,296,569	\$ 7,910,407	\$ 2,975,933	\$ 12,182,909
	-----	-----	-----	-----
Total Expenditures	\$ 27,770,096	\$ 7,972,459	\$ 4,775,890	\$ 40,518,445
	-----	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (63,312)	\$ (5,263,890)	\$ (2,052,151)	\$ (7,379,353)
	-----	-----	-----	-----
<b>Other Financing Sources (Uses)</b>				
Compensation for loss of fixed assets	\$ 12,292	\$ ---	\$ 55,546	\$ 67,838
Sale of equipment and materials	7,481	---	---	7,481
Refunding general obligation bonds issued	---	---	4,250,000	4,250,000
Refunding revenue bonds issued	---	2,940,000	---	2,940,000
Qualified School Construction Bonds issued	---	16,500,000	---	16,500,000
Payment to refunded bond escrow agent	---	---	(7,110,312)	(7,110,312)
Operating transfers in	---	---	5,457,799	5,457,799
Operating transfers out	---	(5,457,799)	---	(5,457,799)
	-----	-----	-----	-----
Total Other Financing Sources (Uses)	\$ 19,773	\$ 13,982,201	\$ 2,653,033	\$ 16,655,007
	-----	-----	-----	-----
Net Change in Fund Balances	\$ (43,539)	\$ 8,718,311	\$ 600,882	\$ 9,275,654
	-----	-----	-----	-----
Fund Balances Beginning of Year	1,482,283	5,093,639	2,587,792	9,163,714
	-----	-----	-----	-----
Fund Balances End of Year	\$ 1,438,744	\$ 13,811,950	\$ 3,188,674	\$ 18,439,368
	=====	=====	=====	=====

See notes to financial statements.



**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 9,275,654</b>
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$7,180,123 exceeded depreciation of \$(1,593,805) in the current period.	5,586,318
In the statement of activities, loss on the sale or disposition of assets is reported, whereas in the governmental funds, the proceeds from the sale or disposition increase financial resources. This is the amount by which the cost of the assets disposed of \$(306,703) exceeded the related accumulated depreciation of \$305,804.	(899)
Because income surtaxes and other deferred revenues will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year.	34,056
Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	9,150,000
Proceeds of debt issuances provide current financial resources to governmental funds, but increases non-current liabilities in the Statement of Net Assets.	(23,690,000)
Governmental funds report the effect of issuance costs, premiums, discount and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	440,288
Interest on long term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(8,681)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. These include the net decrease in early retirement payable of \$338,111 and the net increase in other postemployment benefits of \$(762,438).	(424,327)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 362,409</b>

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2010**

	School Nutrition
	-----
<b>Assets</b>	
Cash and cash equivalents	\$ 519,400
Due from other governments	61,920
Prepaid expenses	234
Inventories	54,843
Capital assets, net of accumulated depreciation	192,060
	-----
Total Assets	\$ 828,457
	-----
<b>Liabilities</b>	
Accounts payable	\$ 48
Salaries and benefits payable	77,543
Due to other funds	90,774
Other postemployment benefits	91,863
	-----
Total Liabilities	\$ 260,228
	-----
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 192,060
Unrestricted	376,169
	-----
Total Net Assets	\$ 568,229
	=====

**EXHIBIT "H"****WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2010**

	School Nutrition
	-----
<b>Operating Revenues</b>	
Local sources:	
Charges for services	\$ 994,386
	-----
<b>Operating Expenses</b>	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 604,714
Benefits	178,406
Purchased services	14,251
Supplies	769,852
Depreciation	27,066
	-----
Total Operating Expenses	\$ 1,594,289
	-----
Operating Loss	\$ (599,903)
	-----
<b>Non-Operating Revenues</b>	
State sources	\$ 14,560
Federal sources	600,919
Interest income	4,980
	-----
Total Non-Operating Revenues	\$ 620,459
	-----
Change in Net Assets	\$ 20,556
	-----
Net Assets Beginning of Year	547,673
	-----
Net Assets End of Year	\$ 568,229
	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2010**

	School Nutrition
	-----
<b>Cash Flows From Operating Activities</b>	
Cash received from sale of lunches and breakfasts	\$ 994,407
Cash paid to employees for services	(660,714)
Cash paid to suppliers for goods or services	(662,450)
	-----
Net Cash Used by Operating Activities	\$ (328,757)
	-----
<b>Cash Flows From Non-Capital Financing Activities</b>	
State grants received	\$ 14,560
Federal grants received	440,475
	-----
Net Cash Provided by Non-Capital Financing Activities	\$ 455,035
	-----
<b>Cash Flows From Capital and Related Financing Activities</b>	
Acquisition of capital assets	\$ (47,016)
	-----
<b>Cash Flows From Investing Activities</b>	
Interest on investments	\$ 4,980
	-----
Net Increase in Cash and Cash Equivalents	\$ 84,242
	-----
Cash and Cash Equivalents at Beginning of Year	435,158
	-----
Cash and Cash Equivalents at End of Year	\$ 519,400
	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2010**

	School Nutrition -----
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>	
Operating loss	\$ (599,903)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	98,668
Depreciation	27,066
Decrease in inventories	24,899
Decrease in accounts receivable	21
(Increase) in prepaid expenses	(116)
(Decrease) in accounts payable	(1,798)
Increase in salaries and benefits payable	66,111
Increase in due to other funds	15,401
Increase in other postemployment benefits	40,894
	-----
Net Cash Used in Operating Activities	\$ (328,757) =====

**Non-Cash Investing, Capital and Financing Activities**

During the year ended June 30, 2010, the District received \$98,668 of federal commodities.

**EXHIBIT "J"****WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA****STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010**

	Private Purpose Trust
	Scholarship
<b>Assets</b>	
Cash and pooled investments	\$ 17,755
<b>Liabilities</b>	
None	\$ ---
<b>Net Assets</b>	
Reserved for scholarships	\$ 17,755

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2010**

	Private Purpose Trust
	-----
	Scholarship
	-----
<b>Additions</b>	
Local Sources:	
Gifts and contributions	\$        300
Interest	26
	-----
Total Additions	\$        326
	-----
<b>Deductions</b>	
Support Services:	
Scholarships awarded	\$      1,000
	-----
Change in Net Assets	\$      (674)
Net Assets Beginning of Year	18,429
	-----
Net Assets End of Year	\$     17,755
	=====

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 1 - Summary of Significant Accounting Policies:**

The Western Dubuque County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territory in Northeast Iowa including portions of the following counties; Dubuque, Delaware, Jackson, Clayton and Jones. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Western Dubuque County Community School District has two component units which meet the Governmental Accounting Standards Board criteria, the Bobcat Foundation and the C.A.R.E. Foundation. These component units have not been included in the District's financial statements.

Jointly Governed Organizations - The District participates in jointly governed organizations that provide services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of Dubuque County Assessor's Conference Board, the Jones County Assessor's Conference Board, and the Dubuque County Empowerment Board.



**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**B. Basis of Presentation (Continued)**

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for resources used in the acquisition and construction of capital facilities as well as accounting for resources used for repayment of revenue bonds issued to finance the acquisition of capital facilities.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

**C. Measurement Focus and Basis of Accounting**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

**Cash, Pooled Investments and Cash Equivalents** - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statements of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

**Property Tax Receivable** - Property tax in governmental fund types is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

**Due From Other Governments** - Due from other governments represents amounts due from the State of Iowa, various shared revenues, and grants and reimbursements from other governments.

**Inventories** - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**D. Assets, Liabilities and Fund Equity (Continued)**

**Capital Assets** - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
-----	-----
Land	All
Buildings	\$ 3,000
Improvements other than buildings	3,000
Furniture and Equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
-----	-----
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

**Salaries and Benefits Payable** - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

**Deferred Revenue** - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**D. Assets, Liabilities and Fund Equity (Continued)**

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

**Long-Term Liabilities, Deferred Debt Expense, Bond Discounts/Premiums, and Deferred Amount on Refunding** - In the government-wide and proprietary financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond issuance costs and bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. The deferred amount on refunding represents the difference between the reacquisition price and the net carrying amount of the old debt and is amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**Fund Equity** - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Restricted Net Assets** - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements in the non-instructional programs functional area exceeded the amount budgeted. The District did not exceed its General Fund unspent authorized budget.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**F. Estimates**

The preparation of financial statements in conformity with United States of America generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2 - Cash and Pooled Investments:**

The District's deposits in banks at June 30, 2010, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$5,795 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk - The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

**Note 3 - Due From and Due To Other Funds:**

The detail of interfund receivables and payables at June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise - Nutrition	\$ 90,774
Special Revenue - Student Activity	General	2,010
		-----
		\$ 92,784
		=====

The Nutrition Fund is repaying the General Fund for nutrition program wages paid from the General Fund. The General Fund is repaying the Student Activity Fund for expenses paid from Student Activity Fund. These balances will be repaid within fiscal year 2011.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 4 - Interfund Transfers:**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects Fund	\$ 5,457,799 =====

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**Note 5 - Categorical Funding:**

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Limited English proficiency weighting	\$ 7,926
Home school assistance program	11,016
Salary improvement plan	12,667
Nonpublic textbook services	14,821
Iowa Arts Council, Artist in the School	739
Educator quality, professional development	25,401
Professional development for model core curriculum	49,290
Educator quality, market factor incentives	15,213
Iowa disaster assistance	3,184
	-----
	\$ 140,257 =====



**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 6 - Capital Assets:**

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	-----	-----	-----	-----
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 240,116	\$ 513,994	\$ ---	\$ 754,110
Construction in progress	134,024	4,397,533	134,024	4,397,533
	-----	-----	-----	-----
Total capital assets, not being depreciated	\$ 374,140	\$ 4,911,527	\$ 134,024	\$ 5,151,643
	-----	-----	-----	-----
Capital assets, being depreciated:				
Buildings	\$ 33,049,959	\$ 1,287,534	\$ ---	\$ 34,337,493
Improvements other than buildings	1,659,568	---	---	1,659,568
Furniture and equipment	10,257,771	1,115,086	306,703	11,066,154
	-----	-----	-----	-----
Total capital assets, being depreciated	\$ 44,967,298	\$ 2,402,620	\$ 306,703	\$ 47,063,215
	-----	-----	-----	-----
Less accumulated depreciation for:				
Buildings	\$ 9,228,814	\$ 734,101	\$ ---	\$ 9,962,915
Improvements other than buildings	1,559,452	65,689	---	1,625,141
Furniture and equipment	7,615,735	794,015	305,804	8,103,946
	-----	-----	-----	-----
Total accumulated depreciation	\$ 18,404,001	\$ 1,593,805	\$ 305,804	\$ 19,692,002
	-----	-----	-----	-----
Total capital assets, being depreciated, net	\$ 26,563,297	\$ 808,815	\$ 899	\$ 27,371,213
	-----	-----	-----	-----
Total governmental activities capital assets, net	\$ 26,937,437	\$ 5,720,342	\$ 134,923	\$ 32,522,856
	=====	=====	=====	=====
<b>Business type activities:</b>				
Furniture and equipment	\$ 325,088	\$ 47,016	\$ ---	\$ 372,104
Less accumulated depreciation	152,978	27,066	---	180,044
	-----	-----	-----	-----
Business type activities capital assets, net	\$ 172,110	\$ 19,950	\$ ---	\$ 192,060
	=====	=====	=====	=====

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 6 - Capital Assets: (Continued)**

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 265,865
Special	8,232
Other	42,926

Support Services:

Student	1,955
Instructional staff	2,010
Administration	32,283
Operation and maintenance of plant	15,716
Transportation	390,313
Non-instructional	18,355
Unallocated	816,150

	-----
Total governmental activities depreciation expense	\$ 1,593,805
	=====

Business type activities:

Food service operations	\$ 27,066
-------------------------	-----------

**Note 7 - Long-Term Liabilities:**

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	-----	-----	-----	-----	-----
Governmental Activities:					
General obligation bonds	\$ 4,750,000	\$ 4,250,000	\$ 4,305,000	\$ 4,695,000	\$ 320,000
Qualified school construction bond	---	16,500,000	---	16,500,000	---
Revenue bonds	4,845,000	2,940,000	4,845,000	2,940,000	960,000
Early retirement	502,271	---	338,111	164,160	164,160
Other postemployment benefits	703,069	885,006	320,882	1,267,193	---
	-----	-----	-----	-----	-----
Total	\$ 10,800,340	\$ 24,575,006	\$ 9,808,993	\$ 25,566,353	\$ 1,444,160
	=====	=====	=====	=====	=====

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 7 - Long-Term Liabilities: (Continued)**

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	-----	-----	-----	-----	-----
Business Type Activities:					
Other postemployment benefits	\$ 50,969	\$ 40,894	\$ ---	\$ 91,863	\$ ---
	=====	=====	=====	=====	=====

**General Obligation Bonds**

Details of the District's June 30, 2010, general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue February 1, 2002			Bond Issue March 23, 2010			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2011	4.20	320,000	18,815	---	---	125,065	320,000	143,880	463,880
2012	4.30	125,000	5,375	1.25	275,000	105,195	400,000	110,570	510,570
2013	---	---	---	1.50	405,000	101,758	405,000	101,758	506,758
2014	---	---	---	1.75	410,000	95,683	410,000	95,683	505,683
2015	---	---	---	2.10	415,000	88,508	415,000	88,508	503,508
2016-2020	---	---	---	2.40-3.20	2,250,000	284,231	2,250,000	284,231	2,534,231
2021	---	---	---	3.30	495,000	16,335	495,000	16,335	511,335
		445,000	24,190		4,250,000	816,775	4,695,000	840,965	5,535,965
		=====	=====		=====	=====	=====	=====	=====

Series 2002 bonds due June 1, 2009 - 2012, inclusive, are callable in whole or in part on any date after June 1, 2008 at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in any order of maturity as determined by the District within any maturity by lot.

On March 23, 2010, the District issued \$4,250,000 in general obligation bonds with an average interest rate of 2.70% to advance refund \$4,000,000 of outstanding 2001 Series bonds with an average interest rate of 4.60%. The bonds due June 1, 2019 - 2021, inclusive, are callable in whole or in part on any date after June 1, 2018 at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in any order of maturity as determined by the District within any maturity by lot.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 7 - Long-Term Liabilities: (Continued)**

The net proceeds of \$4,170,312 (after payment of \$79,688 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2001 Series bonds. As a result, the 2001 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statements.

The District advance refunded the 2001 Series bonds to reduce its total debt service payments over the next eleven years by almost \$260,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$229,200.

**Qualified School Construction Bonds**

On December 15, 2009, the District issued \$8,500,000 of qualified school construction bonds for the purpose of building and equipping an addition to the Drexler Middle School. The bonds are interest free and the entire balance is due on June 1, 2026. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are not a general obligation of the District. The bonds may be called for redemption on any date, in whole or from time to time in part at a price of par. Beginning June 1, 2010, the District is required to place seventeen annual payments into an escrow account, which has a 2.00% interest rate. The balance accumulated in the escrow account will be used to repay the bonds when they mature.

On April 28, 2010, the District issued \$8,000,000 of qualified school construction bonds for the purpose of constructing, furnishing, and equipping a new elementary school in Dyersville, Iowa. The bonds are interest free and the entire balance is due on June 1, 2020. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are not a general obligation of the District. The bonds may be called for redemption on any date, in whole or from time to time in part at a price of par. Beginning June 1, 2014, the District is required to place seven annual payments into an escrow account, which has a 1.85% interest rate. The balance accumulated in the escrow account will be used to repay the bonds when they mature.

The District did comply with all of the provisions during the year ended June 30, 2010. The Sinking Fund and Reserve Fund requirements are accounted for in the Debt Services Fund.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 7 - Long-Term Liabilities: (Continued)**

**Revenue Bonds**

Details of the District's June 30, 2010, statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Rates	Bond Issue April 7, 2010		
		Principal Amount	Interest	Total
2011	1.300%	960,000	55,384	1,015,384
2012	1.600%	980,000	35,680	1,015,680
2013	2.000%	1,000,000	20,000	1,020,000
		2,940,000	111,064	3,051,064

On April 7, 2010, the District issued \$2,940,000 in school infrastructure sales, services and use tax revenue bonds with an average interest rate of 2.74% to currently refund \$4,845,000 of outstanding 2003 Series bonds with an average interest rate of 3.75%. The net proceeds of \$2,902,704 (after payment of \$37,296 in underwriting fees and other issuance costs) plus an additional \$1,942,296 of 2003 Series sinking fund monies were used to currently refund the 2003 Series bonds.

The District currently refunded the 2003 Series bonds to reduce its total debt service payments over the next three years by approximately \$150,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$100,400.

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,940,000 bonds issued in April 2010. The bonds were issued for the purpose of financing the costs of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2013. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require approximately 39 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,051,064. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$2,619,774.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 7 - Long-Term Liabilities: (Continued)**

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- a) \$294,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District did comply with all of the provisions during the year ended June 30, 2010. The Sinking Fund and Reserve Fund requirements are accounted for in the Capital Projects Fund.

**Early Retirement**

The District previously offered the following early retirement plans to its employees.

Principals/Supervisors – Eligible employees had to be at least age fifty-five and completed fifteen years of service to the District of which the last ten years were as an administrator or supervisor. The early retirement incentive for each eligible employee was equal to 35% of unused accumulated sick days as of June 30 of their last contract year and four years of medical insurance payments at the same employer contribution level as when they retired. Cash incentive benefits are deposited with a third-party administrator on behalf of the employee.

Teachers/Nurses – Eligible employees had to be at least age fifty-five and completed fifteen years of service to the District. The early retirement incentive for each eligible employee was equal to 35% of unused accumulated sick days and personal leave days as of June 30 of their last contract year and five years of medical insurance payments at the employer contribution level for family coverage at the time of retirement. Employees had the option of receiving cash incentive benefits in a lump sum or delaying payment into the following calendar year.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 7 - Long-Term Liabilities: (Continued)**

Hourly Employees – Eligible employees had to be at least age fifty-five and completed fifteen years of service to the District. The early retirement incentive for each eligible employee is equal to 35% of unused accumulated sick days as of June 30 of their last contract year and three years of medical insurance payments at the same employer contribution level as when they retired. Employees had the option of receiving cash incentive benefits in a lump sum or delaying payment into the following calendar year.

Early retirement benefits paid during the year ended June 30, 2010, totaled \$338,111. Fiscal year 2006 was the final year of the program for Principals/Supervisors and Teachers/Nurses. Fiscal year 2007 was the final year of the program for Hourly Employees.

**Note 8 - Lease Agreement:**

On October 20, 2001, the District entered an agreement to lease a building for five years. The District is to receive rent of \$36,000 per year for the first two years with the rent for the remaining three years to be negotiated. On February 12, 2003, the lease was renegotiated and the District is to receive \$37,440 for the remainder of the lease. At the end of five years, the lessee has the option to renew the lease for an additional five years. On February 15, 2006, the lessee renewed the lease for five years. The District is to receive rent of \$37,440 per year.

**Note 9 - 28E Agreements:**

On July 20, 2005, the District entered into a 28E Agreement with the City of Farley, Iowa. The agreement is for the purpose of constructing a high school regulation softball field. Along with the 28E Agreement, the District has entered into a lease agreement with the City of Farley for the use of the softball field. The term of the lease is 40 years with annual rent of \$1.

On April 14, 2009, the District entered into a 28E Agreement with Northeast Iowa Community College. The agreement is for the purpose of jointly administering an Alternative High School for the period August 17, 2009 to August 17, 2010.

On April 14, 2009, the District entered into a 28E Agreement with Northeast Iowa Community College. The agreement is for the purpose of providing career education to the students of the District for the period August 17, 2009 to June 30, 2010.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 10 - Pension and Retirement Benefits:**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008, were \$1,121,104, \$1,011,888, and \$928,383 respectively, equal to the required contributions for each year.

**Note 11 - Other Postemployment Benefits (OPEB):**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 440 active and 63 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Medical Associates. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

The medical/prescription drug coverage is provided through a fully-insured plan with Medical Associates. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

The District also contributes to an employer-provided health reimbursement arrangement for contracted employees when they retire. To qualify, the retiring employee must be at least age 55 and have 15 or more years of service with the District. For contracted employees eligible for health insurance, the District will contribute an amount equal to its annual contribution to the cost of family medical insurance at the time of retirement for the employee's work classification for a period of five years. For employees not eligible for medical insurance, the District will contribute a one-time amount equal to 25% of the employee's regular wages earned during the last year of employment with the District.



**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 11 - Other Postemployment Benefits (OPEB): (Continued)**

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. Retirees pay the full cost of premiums for the medical/prescription drug benefit. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 917,000
Interest on net OPEB obligation	37,700
Adjustment to annual required contribution	(28,800)
	-----
Annual OPEB cost	\$ 925,900
Contributions made	(320,882)
	-----
Increase in net OPEB obligation	\$ 605,018
Net OPEB obligation beginning of year	754,038
	-----
Net OPEB obligation end of year	\$ 1,359,056
	=====

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$0 to the medical plan premiums and \$320,882 to the health reimbursement arrangement. Plan members eligible for benefits contributed \$221,120, or 100% of the premium costs.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 11 - Other Postemployment Benefits (OPEB): (Continued)**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 925,900	34.66%	\$ 1,359,056

Funded Status and Funding Process - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$9.009 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$9.009 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$17,047,000, and the ratio of the UAAL to covered payroll was 52.9%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 11 - Other Postemployment Benefits (OPEB): (Continued)**

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2006 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2006.

Projected premium costs of the medical plan are \$572 per month for retirees ages 55 to 59, \$707 per month for retirees ages 60-63, and \$857 per month for retirees ages 64 to 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 12 - Risk Management:**

Western Dubuque County Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 13 - Area Education Agency:**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,296,569 for the year ended June 30, 2010, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 14 - Construction in Progress:**

The District has entered into a contract totaling \$7,908,761 for an addition to a middle school. As of June 30, 2010, costs of \$2,236,025 had been incurred against the contract. The remaining amount will be paid as work on the project progresses.

The District entered into a contract totaling \$2,369,543 for a bus maintenance facility. As of June 30, 2010, costs of \$2,202,435 had been incurred against the contract. The remaining amount will be paid as work on the project progresses.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 15 - Contingencies:**

Health Reimbursement Arrangement - As of June 30, 2010, several District employees met the eligibility criteria for the health reimbursement arrangement but did not retire. Therefore, no liability was recorded for those individuals. The District's unrecorded contingent liability for the health reimbursement arrangement is approximately \$2,961,000 as of June 30, 2010.

Compensated Absences - District employees accumulate sick leave hours for subsequent use. Since the accumulated hours do not vest, they do not become liabilities until used. The District's unrecorded contingent liability for sick leave as of June 30, 2010, is approximately \$15,441,000. The District does not have a liability for employee vacations as they do not vest and any unused vacation lapses at year-end.

**Note 16 - Subsequent Events:**

The District entered into commitments subsequent to June 30, 2010 for various construction contracts as follows: construction of Dyersville Elementary school in the amount of \$6,775,000, grading project at Dyersville Elementary school in the amount of \$288,415, and construction of a safe room at Dyersville Elementary school in the amount of \$1,375,000.

The District entered into an agreement to purchase a parcel of land at a cost of \$129,500.

Subsequent events have been evaluated by management through January 24, 2011, which is the date the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
CHANGES IN BALANCES - BUDGET AND ACTUAL -  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2010**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>Revenues</b>						
Local sources	\$ 18,142,341	\$ 999,366	\$ 19,141,707	\$ 19,062,546	\$ 19,062,546	\$ 79,161
Intermediate sources	7,872	---	7,872	6,000	6,000	1,872
State sources	12,369,676	14,560	12,384,236	14,516,872	14,516,872	(2,132,636)
Federal sources	2,619,203	600,919	3,220,122	1,310,857	1,310,857	1,909,265
Total Revenues	\$ 33,139,092	\$ 1,614,845	\$ 34,753,937	\$ 34,896,275	\$ 34,896,275	\$ (142,338)
<b>Expenditures/Expenses</b>						
Instruction	\$ 20,017,471	\$ ---	\$ 20,017,471	\$ 19,235,369	\$ 20,515,682	\$ 498,211
Support services	8,281,431	---	8,281,431	9,049,427	9,049,427	767,996
Non-instructional programs	36,634	1,594,289	1,630,923	1,475,729	1,541,319	(89,604)
Other expenditures	12,182,909	---	12,182,909	11,850,468	20,557,807	8,374,898
Total Expenditures/Expenses	\$ 40,518,445	\$ 1,594,289	\$ 42,112,734	\$ 41,610,993	\$ 51,664,235	\$ 9,551,501
Excess (Deficiency) of Revenues Over (Under) Expenditures/Expenses	\$ (7,379,353)	\$ 20,556	\$ (7,358,797)	\$ (6,714,718)	\$ (16,767,960)	\$ 9,409,163
Other Financing Sources, Net	16,655,007	---	16,655,007	10,200	10,200	16,644,807
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	\$ 9,275,654	\$ 20,556	\$ 9,296,210	\$ (6,704,518)	\$ (16,757,760)	\$ 26,053,970
Balances Beginning of Year	9,163,714	547,673	9,711,387	9,461,787	9,461,787	249,600
Balances End of Year	\$ 18,439,368	\$ 568,229	\$ 19,007,597	\$ 2,757,269	\$ (7,295,973)	\$ 26,303,570

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
- BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2010**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$10,053,242.

During the year ended June 30, 2010, expenditures in the non-instructional programs function exceeded the amount budgeted. The District did not exceed its General Fund unspent authorized budget.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
(IN THOUSANDS)**

**REQUIRED SUPPLEMENTARY INFORMATION**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
-----	-----	-----	-----	-----	-----	-----	-----
2009	July 1, 2008	\$ ---	\$ 9,009	\$ 9,009	0.0%	\$ 15,335	58.7%
2010	July 1, 2008	---	9,009	9,009	0.0%	17,047	52.9%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and net OPEB Obligation, funded status and funding progress.



## **OTHER SUPPLEMENTARY INFORMATION**

**WESTERN DUBUQUE COUNT COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	Special Revenue Funds				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total Nonmajor Governmental Funds
<b>Assets</b>					
Cash and pooled investments	\$ 1,234,665	\$ 596,394	\$ 512,010	\$ 202,725	\$ 2,545,794
Receivables:					
Property tax:					
Delinquent	8,380	---	3,122	4,998	16,500
Succeeding year	870,005	---	339,522	463,880	1,673,407
Accounts	---	1,920	---	---	1,920
Due from other funds	---	2,010	---	---	2,010
Prepaid expenses	286,628	---	---	---	286,628
Restricted assets:					
Cash held in escrow	---	---	---	425,372	425,372
<b>Total Assets</b>	<b>\$ 2,399,678</b>	<b>\$ 600,324</b>	<b>\$ 854,654</b>	<b>\$1,096,975</b>	<b>\$ 4,951,631</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ ---	\$ 20,922	\$ 8,375	\$ 60,253	\$ 89,550
Deferred revenue:					
Succeeding year property tax	870,005	---	339,522	463,880	1,673,407
<b>Total Liabilities</b>	<b>\$ 870,005</b>	<b>\$ 20,922</b>	<b>\$ 347,897</b>	<b>\$ 524,133</b>	<b>\$ 1,762,957</b>
Fund Balances:					
Reserved for:					
Categorical funding	\$ ---	\$ ---	\$ 3,184	\$ ---	\$ 3,184
Debt service	---	---	---	572,842	572,842
Unreserved	1,529,673	579,402	503,573	---	2,612,648
<b>Total Fund Balances</b>	<b>\$ 1,529,673</b>	<b>\$ 579,402</b>	<b>\$ 506,757</b>	<b>\$ 572,842</b>	<b>\$ 3,188,674</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,399,678</b>	<b>\$ 600,324</b>	<b>\$ 854,654</b>	<b>\$1,096,975</b>	<b>\$ 4,951,631</b>

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total Nonmajor Governmental Funds
<b>Revenues</b>					
Local Sources:					
Local tax	\$ 870,213	\$ ---	\$ 326,122	\$ 521,990	\$ 1,718,325
Other	61,679	925,958	4,822	8,808	1,001,267
State sources	503	---	3,361	283	4,147
	-----	-----	-----	-----	-----
Total Revenues	\$ 932,395	\$ 925,958	\$ 334,305	\$ 531,081	\$ 2,723,739
	-----	-----	-----	-----	-----
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	\$ 309,289	\$ ---	\$ 21,504	\$ ---	\$ 330,793
Special	56,159	---	---	---	56,159
Other	64,578	912,809	---	---	977,387
	-----	-----	-----	-----	-----
Total Instruction	\$ 430,026	\$ 912,809	\$ 21,504	\$ ---	\$ 1,364,339
	-----	-----	-----	-----	-----
Support Services:					
Student	\$ 17,943	\$ ---	\$ ---	\$ ---	\$ 17,943
Instructional staff	845	---	---	---	845
Administration	31,155	---	41,771	2,102	75,028
Operation and maintenance of plant	160,785	750	24,804	---	186,339
Transportation	111,042	7,787	---	---	118,829
	-----	-----	-----	-----	-----
Total Support Services	\$ 321,770	\$ 8,537	\$ 66,575	\$ 2,102	\$ 398,984
	-----	-----	-----	-----	-----
Non-instructional Programs	\$ 36,634	\$ ---	\$ ---	\$ ---	\$ 36,634
	-----	-----	-----	-----	-----

See accompanying independent auditor's report.

**SCHEDULE "2" (Continued)**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total Nonmajor Governmental Funds
<b>Expenditures (Continued)</b>					
Other Expenditures:					
Facilities acquisition	\$ ---	\$ ---	\$ 239,721	\$ ---	\$ 239,721
Long-term debt:					
Principal	---	---	---	2,210,000	2,210,000
Interest and fiscal charges	---	---	---	526,212	526,212
Total Other Expenditures	\$ ---	\$ ---	\$ 239,721	\$ 2,736,212	\$ 2,975,933
Total Expenditures	\$ 788,430	\$ 921,346	\$ 327,800	\$ 2,738,314	\$ 4,775,890
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 143,965	\$ 4,612	\$ 6,505	\$ (2,207,233)	\$ (2,052,151)
<b>Other Financing Sources (Uses)</b>					
Compensation for loss of fixed assets	\$ ---	\$ ---	\$ 55,546	\$ ---	\$ 55,546
Refunding general obligation bonds issued	---	---	---	4,250,000	4,250,000
Payment to refunded bond escrow agent	---	---	---	(7,110,312)	(7,110,312)
Operating transfers in	---	---	---	5,457,799	5,457,799
Total Other Financing Sources (Uses)	\$ ---	\$ ---	\$ 55,546	\$ 2,597,487	\$ 2,653,033
Net Change in Fund Balances	\$ 143,965	\$ 4,612	\$ 62,051	\$ 390,254	\$ 600,882
Fund Balances Beginning of Year	1,385,708	574,790	444,706	182,588	2,587,792
Fund Balances End of Year	\$ 1,529,673	\$ 579,402	\$ 506,757	\$ 572,842	\$ 3,188,674

See accompanying independent auditor's report.

SCHEDULE "3"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND  
STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2010**

	Balance June 30, 2009	Revenues	Expenditures	Intrafund Transfers	Balance June 30, 2010
District Wide Accounts	-----	-----	-----	-----	-----
Employee Awards	\$ 154	\$ ---	\$ ---	\$ ---	\$ 154
Miscellaneous	(309)	---	---	---	(309)
Western Trip	8,715	---	---	---	8,715
District Wide Interest	88,631	4,247	---	---	92,878
Student/Employee Wellness	249	---	249	---	---
	-----	-----	-----	-----	-----
Total District Wide	\$ 97,440	\$ 4,247	\$ 249	\$ ---	\$ 101,438
	-----	-----	-----	-----	-----
Epworth High School:					
Computer Technology	\$ 135	\$ ---	\$ ---	\$ ---	\$ 135
Poms	3,795	21,854	23,084	---	2,565
Dramatics Fund	2,180	6,950	5,593	---	3,537
Speech Club	1,546	560	835	---	1,271
Vocal Music	3,757	1,626	1,985	---	3,398
Instrumental Music	2,321	3,189	3,279	---	2,231
Show Choir	11,743	76,520	71,892	---	16,371
Model U.N.	906	480	1,151	---	235
Student Council	5,616	12,856	14,632	50	3,890
Future Farmers	497	50,699	42,734	---	8,462
Yearbook	23,936	19,514	28,116	---	15,334
Library Club	2,882	417	1,334	---	1,965
Close Up	32	---	1,038	1,100	94
Post Prom	3,213	1,657	160	(200)	4,510
National Honor Society	129	4,617	4,805	500	441
Class of 2113	---	4,073	---	(1,043)	3,030
Class of 2012	134	164	2,799	580	(1,921)
Class of 2011	1,623	6,216	3,350	---	4,489
Class of 2010	6,386	120	799	---	5,707
Class of 2009	4,628	---	25	(380)	4,223
Class of 2008	4,134	---	2,000	---	2,134
Class of 2007	3,291	---	2,000	---	1,291
Class of 2006	698	---	---	---	698
Class of 2005	743	---	---	---	743
Class of 2003	899	---	---	---	899
Class of 2001	7	---	1,050	1,043	---
Future Business Leaders	1,436	7,565	5,506	---	3,495
Athletic Fund	135,408	252,966	255,925	(2,350)	130,099
Pop and Uniforms	3,921	1,480	1,187	---	4,214
Fundraiser	5,577	2,508	4,625	(100)	3,360
Band	(171)	680	1,166	500	(157)
Miscellaneous	2,995	1,649	845	300	4,099
	-----	-----	-----	-----	-----
Total Epworth High School	\$ 234,397	\$ 478,360	\$ 481,915	\$ ---	\$ 230,842
	-----	-----	-----	-----	-----

See accompanying independent auditor's report.

**SCHEDULE "3" (Continued)**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND  
STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2010**

	Balance June 30, 2009	Revenues	Expenditures	Intrafund Transfers	Balance June 30, 2010
	-----	-----	-----	-----	-----
Cascade High School:					
Poms	\$ 979	\$ 1,309	\$ 1,194	\$ ---	\$ 1,094
Dramatics/Speech	9,857	14,591	15,230	---	9,218
Vocal Music	3,561	11,945	11,900	---	3,606
Instrumental Music	12,401	22,779	25,770	---	9,410
Band	(1,360)	---	1,058	---	(2,418)
Student Council	2,256	5,691	7,316	2,057	2,688
Future Farmers	73,596	70,156	56,936	---	86,816
Cheerleaders	186	---	126	---	60
National Honor Society	352	656	655	---	353
Spanish Club	190	---	---	---	190
Junior High	460	7,138	9,028	---	(1,430)
Class of 2013	---	---	---	107	107
Class of 2012	---	---	---	128	128
Class of 2011	---	1,758	551	(307)	900
Class of 2010	---	1,368	1,255	300	413
Class of 2009	128	---	---	(128)	---
Class of 2008	698	---	---	(698)	---
Class of 2007	9	---	---	(9)	---
Athletic Fund	18,427	112,368	114,303	2,650	19,142
Future Business Leaders	---	2,661	2,060	(6)	595
Pop and Uniforms	10,468	11,470	7,659	(6,450)	7,829
Yearbook	10,596	10,610	20,883	6	329
Miscellaneous	477	2,275	4,899	2,350	203
	-----	-----	-----	-----	-----
Total Cascade High School	\$ 143,281	\$ 276,775	\$ 280,823	\$ ---	\$ 139,233
	-----	-----	-----	-----	-----
Bernard Elementary:					
Student Expenses	\$ 6,343	\$ 3,621	\$ 3,977	\$ ---	\$ 5,987
	-----	-----	-----	-----	-----
Cascade Elementary:					
Student Expenses	\$ 12,071	\$ 9,900	\$ 9,028	\$ ---	\$ 12,943
School Photos	296	349	---	---	645
Student Council	3,652	428	3,054	---	1,026
	-----	-----	-----	-----	-----
Total Cascade Elementary	\$ 16,019	\$ 10,677	\$ 12,082	\$ ---	\$ 14,614
	-----	-----	-----	-----	-----
Dyersville Elementary:					
Student Expenses	\$ 2,969	\$ 1,712	\$ 785	\$ ---	\$ 3,896
Book Fair	(87)	535	535	---	(87)
School Photos	1,830	---	---	---	1,830
	-----	-----	-----	-----	-----
Total Dyersville Elementary	\$ 4,712	\$ 2,247	\$ 1,320	\$ ---	\$ 5,639
	-----	-----	-----	-----	-----

See accompanying independent auditor's report.

**SCHEDULE "3" (Continued)**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND  
STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2010**

	Balance June 30, 2009	Revenues	Expenditures	Intrafund Transfers	Balance June 30, 2010
	-----	-----	-----	-----	-----
Farley:					
Spring Fundraiser	\$ 9,700	\$ 16,330	\$ 4,803	\$ (150)	\$ 21,077
Student Council	256	1,570	1,082	---	744
Yearbook	1,668	5,348	5,181	(1,222)	613
Vocal Music	262	2,635	4,201	1,410	106
Instrumental Music	14	13,720	14,754	1,258	238
Athletic Fund	114	4,016	14,752	12,187	1,565
Booster Club/PTO	455	---	---	(391)	64
Outdoor Education	256	297	2,229	1,222	(454)
Pop and Uniforms	3,412	3,170	1,901	---	4,681
Fitness Program	4,078	4,592	5,213	---	3,457
Book Fair	1,811	10,436	10,534	---	1,713
School Photos	15,104	4,019	19	(2,252)	16,852
Magazine/Newspaper Fundraiser	864	18,599	13,758	(5,042)	663
Grade 8 Class Trip	64	18,671	17,043	---	1,692
Various Groups	20,413	35,168	30,827	(7,020)	17,734
	-----	-----	-----	-----	-----
Total Farley	\$ 58,471	\$ 138,571	\$ 126,297	\$ ---	\$ 70,745
	-----	-----	-----	-----	-----
Epworth Elementary:					
Student Expenses	\$ 7,487	\$ 5,832	\$ 8,809	\$ ---	\$ 4,510
	-----	-----	-----	-----	-----
Peosta Elementary:					
Yearbook	\$ 1,133	\$ 1,487	\$ 1,486	\$ ---	\$ 1,134
Booster Club	4,204	---	44	---	4,160
Miscellaneous	1,303	4,141	4,344	---	1,100
	-----	-----	-----	-----	-----
Total Peosta Elementary	\$ 6,640	\$ 5,628	\$ 5,874	\$ ---	\$ 6,394
	-----	-----	-----	-----	-----
Total	\$ 574,790	\$ 925,958	\$ 921,346	\$ ---	\$ 579,402
	=====	=====	=====	=====	=====

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUND TYPES  
FOR THE LAST NINE YEARS**

	Modified Accrual Basis								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Revenues</b>									
Local Sources:									
Local tax	\$ 15,686,866	\$ 15,038,895	\$ 14,137,465	\$ 13,880,533	\$ 13,144,109	\$ 12,445,327	\$ 11,259,357	\$ 8,635,638	\$ 7,757,212
Tuition	850,519	804,929	825,845	830,306	717,011	651,757	631,073	576,731	598,362
Other	1,604,956	1,790,591	1,928,215	1,911,309	1,592,219	1,349,802	1,279,922	1,194,147	1,648,306
Intermediate Sources	7,872	9,988	12,488	1,306	6,459	---	4,108	80	---
State Sources	12,369,676	13,409,951	12,893,404	11,984,915	11,440,396	10,326,712	9,278,073	9,556,936	9,545,789
Federal Sources	2,619,203	1,176,914	801,897	850,311	1,416,939	1,464,404	950,399	1,552,042	776,270
<b>Total</b>	<b>\$ 33,139,092</b>	<b>\$ 32,231,268</b>	<b>\$ 30,599,314</b>	<b>\$ 29,458,680</b>	<b>\$ 28,317,133</b>	<b>\$ 26,238,002</b>	<b>\$ 23,402,932</b>	<b>\$ 21,515,574</b>	<b>\$ 20,325,939</b>



**SCHEDULE "4" (Continued)**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUND TYPES  
FOR THE LAST NINE YEARS**

	Modified Accrual Basis								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Expenditures</b>									
Instruction:									
Regular	\$ 11,249,602	\$ 10,570,155	\$ 10,197,183	\$ 10,311,911	\$ 9,154,370	\$ 8,469,963	\$ 8,377,622	\$ 8,181,683	\$ 8,286,275
Special	3,770,825	3,686,818	3,403,315	2,782,573	3,289,290	3,099,950	3,605,876	3,074,974	2,871,659
Other	4,997,044	3,793,523	3,400,738	3,020,372	2,105,981	2,667,318	2,129,419	2,108,320	2,046,932
Support Services:									
Student	989,832	979,946	904,763	841,912	819,965	692,460	666,742	589,805	626,819
Instructional staff	307,997	362,822	372,002	393,706	866,136	553,355	534,905	467,647	392,662
Administration	2,938,145	2,768,180	2,768,828	2,590,845	2,528,027	2,138,672	1,627,196	1,772,832	1,750,488
Operation and maintenance of plant	1,732,424	1,842,198	1,779,698	1,707,388	1,568,012	1,471,773	1,299,654	1,175,562	1,136,769
Transportation	2,313,033	2,204,821	2,476,922	2,227,582	2,121,983	2,002,883	1,708,369	1,435,289	1,297,138
Central support	---	---	---	---	---	---	1,244	93,387	10,950
Non-instructional Programs	36,634	44,677	39,453	37,462	19,643	26,152	18,420	14,350	---
Other Expenditures:									
Facilities acquisition	7,957,465	629,749	719,111	965,701	649,303	6,953,304	5,427,398	5,825,035	750,806
Long-term debt:									
Principal	2,210,000	1,390,000	1,900,000	1,840,000	1,760,000	1,705,000	1,670,000	435,000	415,000
Interest and other charges	718,875	454,809	527,844	593,974	650,629	704,141	753,765	578,879	140,928
AEA flowthrough	1,296,569	1,168,250	1,096,770	1,042,947	974,359	903,083	872,561	920,041	918,733
<b>Total</b>	<b>\$ 40,518,445</b>	<b>\$ 29,895,948</b>	<b>\$ 29,586,627</b>	<b>\$ 28,356,373</b>	<b>\$ 26,507,698</b>	<b>\$ 31,388,054</b>	<b>\$ 28,693,171</b>	<b>\$ 26,672,804</b>	<b>\$ 20,645,159</b>

**SCHEDULE "5"**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010**

Grantor/Program -----	CFDA Number -----	Grant Number -----	Expenditures -----
Indirect Programs:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	\$ 65,550
National School Lunch Program	10.555	FY10	436,266
National School Lunch Program - USDA Commodities (noncash)	10.555	FY10	98,668
			-----
			\$ 600,484
			-----
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	\$ 393,149
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	237,585
			-----
			\$ 630,734
			-----
Career and Technical Education - Basic Grants to States	84.048	FY10	32,228
Safe and Drug Free Schools and Communities- State Grants	84.186	FY10	10,000
Improving Teacher Quality State Grants	84.367	FY10	159,050
State Assessment	84.369	FY10	18,181
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	549,683
ARRA - State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act	84.394	FY10	1,233,315
Keystone Area Education Agency:			
Special Education - Grants to States	84.027	FY10	206,927
Special Education Preschool Grants	84.173	FY10	8,579
Fund for the Improvement of Education	84.215	FY10	1,163
			-----
			\$ 2,219,126
			-----
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Medical Assistance Program	93.778	FY10	\$ 167,036
Comprehensive School Health Programs	93.938	FY10	423
			-----
			\$ 167,459
			-----
Total			\$ 3,617,803
			=====

See accompanying independent auditor's report.

**SCHEDULE "5" (Continued)**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010**

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Western Dubuque County Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# **O'CONNOR, BROOKS & CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the  
Western Dubuque County Community School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Western Dubuque County Community School District as of and for the year ended June 30, 2010, which collectively comprises the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 24, 2011. We expressed an unqualified opinion on the financial statements of the various opinion units of the primary government and an adverse opinion on the aggregate discretely presented component units due to the omission of the financial data for the District's legally separate component units. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Western Dubuque County Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Western Dubuque County Community School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, in Part II of the Schedule of Findings and Questioned Costs, we consider item II-A-10 a deficiency in internal control over financial reporting that we consider to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Western Dubuque County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the District's responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Western Dubuque County Community School District and other parties to whom Western Dubuque County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Western Dubuque County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

*O'Connor, Brooks & Co., P.C.*

Dubuque, Iowa  
January 24, 2011

# **O'CONNOR, BROOKS & CO., P.C.**

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education of the  
Western Dubuque County Community School District

### Compliance

We have audited the compliance of Western Dubuque County Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Western Dubuque County Community School District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Western Dubuque County Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

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### Internal Control Over Compliance

The management of Western Dubuque County Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

Western Dubuque County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the District's responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Western Dubuque County Community School District and other parties to whom Western Dubuque County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

O'CONNOR, BROOKS & CO., P.C.

*O'Connor, Brooks + Co., P.C.,*  
Dubuque, Iowa  
January 24, 2011

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**Part I: Summary of Independent Auditor's Results**

- a) Unqualified opinions were issued on the financial statements of the primary government. An adverse opinion was issued on the financial statements of the aggregate discretely presented component units due to the omission of the financial data for the District's legally separate component units.
- b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) No material weaknesses in internal control over the major programs were noted.
- e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) Major programs were as follows:
  - CFDA Number 84.391 - ARRA - Special Education Grants to States, Recovery Act
  - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
  - Title I, Part A Cluster Programs:
    - CFDA Number 84.010 - Title I Grants to Local Education Agencies
    - CFDA Number 84.389 - ARRA - Title I Grants to Local Education Agencies, Recovery Act
  - School Nutrition Cluster Programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Western Dubuque County Community School District did not qualify as a low-risk auditee.



**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**Part II: Findings Related to the Financial Statements:**

**Instances of Noncompliance:**

No matters were reported.

**Material Weaknesses:**

II-A-10 Adjusting Journal Entries – Material adjustments were made to the financial statements to represent a fair presentation of the District's financial statements as June 30, 2010. Accounts balances that required adjustment included capital assets, accounts payable, and reserve fund balance. Journal entries suggested were reclassifications to capitalize construction in progress and record reserved fund balances and to remove accounts payable recorded twice.

Recommendation – We recommend the District implement procedures to reasonably assure that account balances are fairly stated.

Response – As part of its regular year-end process, the District makes every effort to quantify the expenses related to its major construction projects. Once project totals are calculated, journal entries are executed to increase the balance of the Construction in Progress asset account in our Capital Assets Fund 08. The expenses are subsequently moved to the proper asset account of the fund 08 balance sheet upon project completion.

Conclusion – Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards:**

**Instances of Noncompliance:**

No matters were reported.

**Material Weaknesses:**

No matters were reported.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010, exceeded the amended certified budget amount in the non-instructional programs functional area.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure that the certified budget is not exceeded.

Conclusion – Response accepted.

IV-B-10 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-10 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-10 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-10 Certified Enrollment – One variance in the basic enrollment data certified to the Department of Education was noted. Seven Parochial Pre-K students were omitted from the certified count.

Recommendation – The District should develop procedures to ensure accurate enrollment data is certified to the Iowa Department of Education.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**Part IV: Other Findings Related to Required Statutory Reporting: (Continued)**

Response – The October 2009 Certified Enrollment Count included for the first time, PreK students ages four and five for public and private schools. Prior to the count date, District officials attended a series of seminars on this topic and the new processes for uploading student counts from District's software to the Department of Education data base. At those seminars, school officials were told that five-year olds enrolled in the private schools could not be included in the Pre-school count. Subsequent to the certified count date, school officials were alerted that the regulations did not clearly exclude the private school five-year olds from being included in the Pre-school count. Districts were advised to obtain an Auditor's Adjustment to the Certified Enrollment Count if they wanted to count those students. Western Dubuque Schools chose to seek the Auditor's Adjustment for the seven students. Revised Department of Education rules now clearly exclude the private school five-year olds from the Pre-school count starting in October 2010.

Conclusion – Response accepted.

IV-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-10 Certified Annual Report – The Certified Annual Report was certified timely to Iowa Department of Education. However, the amount reported for Construction in Progress on the Balance Sheet by Long-Term Governmental Account Group was incorrect due amounts being omitted from the District's entry to capitalize expenditures.

Recommendation – The District should record entries to its general ledger to correct the amount capitalized as construction in progress.

Response – Adjusting entries have been recorded on the District's general ledger to correct the account balances.

Conclusion – Response accepted.

IV-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**Part IV: Other Findings Related to Required Statutory Reporting: (Continued)**

IV-L-10 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance		\$ 5,093,639
Statewide sales and services tax revenue		2,619,774
Earnings on investments		88,795
		-----
		\$ 7,802,208
Other sources:		
Issuance of refunding revenue bonds		2,940,000
Issuance of qualified school construction bonds		16,500,000
		-----
		\$ 27,242,208
Expenditures/transfers out:		
School infrastructure:		
Land	\$ 513,994	
Buildings	6,943,739	
Equipment	260,011	
Other improvements	62,052	
Debt service for school infrastructure:		
Revenue debt	5,650,462	13,430,258
	-----	-----
Ending balance		\$ 13,811,950
		=====

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	-----	-----
Debt service levy	\$ 2.64314	\$ 2,619,774

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**Part IV: Other Findings Related to Required Statutory Reporting: (Continued)**

IV-M-10 Student Activity Fund – Several Student activity accounts had deficit balances at June 30, 2010.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – Due to the nature of the fund balance accounts in the Student Activities Fund, the timing of the related revenues and expenditures play a major part on some fund balances being negative at any given point in time. Expenses are typically incurred at the beginning of the event season, and revenues are typically collected subsequently as events are held.

Conclusion – Response accepted.

IV-N-10 Student Activity Fund – In accordance with IAR 281-98.70 upon dissolution of a student activity, such as a graduated class, the surplus must be used to support other student activities in the Student Activity Fund., The District has not closed the student account for the Epworth High School Classes of 2003, 2005, 2006, 2007, 2008, and 2009.

Recommendation – The balances in these graduated classes should be transferred to other student activity accounts.

Response – We will transfer the accounts.

Conclusion – Response accepted.

IV-O-10 Unclaimed Property – The District has several outstanding checks listed on its reconciliations that appear to be unclaimed property.

Recommendation – These checks should be reported to the State Treasurer per Chapter 556.11 of the Code of Iowa.

Response – The District did report the amounts to the State Treasurer prior to the November 1, 2010 deadline.

Conclusion – Response accepted.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**Part IV: Other Findings Related to Required Statutory Reporting: (Continued)**

IV-P-10 Interfund Loan – The District entered into interfund loans during fiscal year 2010 that may not be in compliance with a revised Declaratory Order issued by the Iowa Department of Education dated October 22, 2009. The Declaratory Order requires among other items that a resolution be approved by the Board of Education stating from which fund and to which fund the transfer will be made. It appears that the District did not comply with this requirement.

Recommendation – We recommend that the District approve a resolution for each interfund loan advance.

Response – Prior to the 2009-10 school year, the District used funds available from the Iowa Schools Cash Anticipation Program (ISCAP) to met short term cash flow needs in the General Fund. The District was not eligible to participate in this program in the 2009-10 fiscal year due to federal rules on debt issuance. The District's bonding attorney advised the School District to use funds available in the Capital Projects Fund as allowed by Iowa law. The District did enter into interfund loans between the General Fund and the Capital Projects Fund during the 2009-10 school year and all loans were paid back with interest. No formal resolution of the Board governed these transactions at the time; but, they were reported to the School Board at monthly meetings. The District has now adopted a Resolution drafted by legal counsel that meets the requirements of Iowa law for interfund loans.

Conclusion – Response accepted.